



**RECEIVED**

By Deena Ackerman at 2:49 pm, Jun 30, 2021

**Douglas J. Law**  
Associate General Counsel  
Douglas.Law@blackhillscorp.com

1731 Windhoek Drive  
Lincoln, NE 68512  
P: 402.221.2635

June 29, 2021

Mr. Mike Hybl  
Executive Director  
Nebraska Public Service Commission  
1200 N Street, Suite 300  
Lincoln, NE 68508

Re: Docket No. NG-111.1/PI-237  
Commission Investigatory Docket  
February 2021 Cold Weather Event

Dear Mr. Hybl;

Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy (“Black Hills Energy”) hereby submits the attached Application for a Conversion Fee as set forth in the attached tariffs.

The proposed Conversion Fee would apply only to Commercial Sales service customers when electing to convert to Transportation service and is related to Black Hills Energy’s recovery of February 2021 Cold Weather Event gas costs approved by the Nebraska Public Service Commission in its May 25, 2021, Order in Commission Docket No. NG-111.1.

Please contact me at (402) 221-2635 or [douglas.law@blackhillscorp.com](mailto:douglas.law@blackhillscorp.com) if you have any questions, concerns, or need additional information.

Respectfully submitted,

*/s/ Douglas J. Law*

Douglas J. Law #19436  
Associate General Counsel

DJL:ce

**BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION**

**IN THE MATTER OF THE )  
COMMISSION, ON ITS OWN MOTION )  
SEEKING TO INVESTIGATE THE )  
EFFECT OF THE FEBRUARY 2021 )  
COLD WEATHER EVENT UPON THE )  
COST OF GAS SUPPLY PURCHASED )  
BY NEBRASKA GAS UTILITIES )**

**Application No. NG-111/PI-237**

**BLACK HILLS NEBRASKA GAS, LLC )  
D/B/A BLACK HILLS ENERGY )**

**DOCKET NO. NG-111.1**

**BLACK HILLS NEBRASKA GAS, LLC D/B/A BLACK HILLS ENERGY'S  
APPLICATION FOR A CONVERSION FEE**

This Application for a Conversion Fee (“Application”) is submitted by Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy pursuant to Neb. Rev. Stats. §§ 66-1808, 66-1854, or other relevant provisions of the State Natural Gas Regulation Act. In support of its Application, Black Hills Energy states as follows:

**I. Background**

On March 2, 2021, The Nebraska Public Service Commission (“Commission”), on its own motion, opened this proceeding for the purpose of gathering information and formulating a response to the effect of the February 2021 Cold Weather Event (“2021 Weather Event Reporting Order”). The Commission’s 2021 Weather Event Reporting Order considered and addressed issues related to the cost of gas supply purchased by Nebraska gas utilities subject to the Commission’s jurisdiction under the State Natural Gas Regulation Act, Neb. Rev. Stat. §§ 66-1801 through 66-1868 (“Act”).

This proceeding was opened in order to facilitate open communication with Black Hills Nebraska Gas, LLC, d/b/a Black Hills Energy (“Black Hills Energy” or “Company”) and Northwestern Energy (“NorthWestern”) (collectively “the utilities”), working in connection with the Commission to understand the effects of this cold weather event and consider options to mitigate its impact upon customer bills. The Commission established a sub-docket in Application No. NG-111/PI-237, Docket No. NG-111.1, to address the weather event issues related to Black Hills Energy.

The Commission’s 2021 Weather Event Reporting Order required Black Hills Energy to file a written proposal (“Proposal”) to mitigate the impact of approximately \$86.5 million on customer bills from the February 2021 Cold Weather Event Cost.<sup>1</sup>

Black Hills Energy’s Proposal was filed on April 30, 2021 pursuant the Commission’s 2021 Weather Event Reporting Order. On May 7, 2021 the Nebraska Public Advocate (“Public Advocate”) filed a Review of February 2021 Cold Weather Event Cost Recovery Proposal (“Report”), which included several recommendations to the Commission for consideration. On May 13, 2021, Black Hills Energy filed a response to the Public Advocate’s Report.

On May 25, 2021 the Commission issued an Order Approving Recovery Plan (“Recovery Order”) recovery of the approximately \$86.5 million in incremental gas costs and associated carrying costs from customers over a three-year period. On June 8, 2021, the Commission issued an Order *Nunc Pro Tunc* clarifying the dates applicable for recovery of February 2021 Cold Weather Event Cost.

---

<sup>1</sup> Within its Proposal, Black Hills Energy proposed to recover approximately \$86.5 million of incremental and extraordinary natural gas commodity costs (“February 2021 Cold Weather Event Costs”).

## **II. Conversion Fee**

### **a. Temporary Customer Fee to Convert from Sales to Transportation**

Black Hills Energy appreciates that the Commission has approved its Proposal, with the adoption of certain recommendations of the Public Advocate. Black Hills Energy will recover its February 2021 Cold Weather Event Costs through a Commission-approved cold weather event recovery mechanism (“Cold Weather Gas Cost Recovery Mechanism”).<sup>2</sup> The Cold Weather Gas Cost Recovery Mechanism is only applied to Residential and Commercial customers located in Rate Areas One, Two, and Three.

Consistent with well-established regulatory principles, Black Hills Energy requests Commission approval of a tariff charge to become effective on July 1, 2021 that will be applicable to any Commercial or Small Firm gas sales customer who elects to convert its natural gas service from Commercial or Small Firm rate schedules to the Energy Options Program or High Volume customer transportation programs.

### **b. Why the Conversion Fee is Necessary.**

Black Hills Energy has become aware of efforts by one or more gas supply Marketers who are soliciting Commercial and Small Volume firm sales customers to convert from sales to transportation service. The primary driver for the conversion from commercial sales to transportation is that the customer may avoid paying the commodity surcharge applied under Black Hills Energy’s approved Cold Weather Gas Cost Recovery Mechanism.

---

<sup>2</sup> The \$86.5 million consists of approximately \$79.75 million in gas supply costs plus approximately \$6.75 million in anticipated carrying costs.

At the time Black Hills Energy developed the surcharge for collection of the \$86.5 million February 2021 Cold Weather Event costs, it reasonably assumed that the same level of customers on Commercial sales service in February 2021 would continue at that level into the future. However, if significant numbers of customers are permitted to leave Commercial sales and thereby avoid costs incurred on their behalf during the February 2021 cold weather event, then the remaining sales customers would in effect subsidize those converting customers.

The purpose of the proposed Conversion Fee is to ensure that customers who contributed to the \$86.5 million in incremental February 2021 cold weather event gas costs pay their fair share of those costs. The Conversion Fee is necessary to avoid unlawful cross subsidization by GCA customers to the benefit of those customers who convert from Commercial or Small Volume sales to transportation.

**c. What is the Structure of the Conversion Fee?**

As approved by the Commission in its May 25, 2021 Order in this proceeding, Black Hills Energy's Cold Weather Gas Cost Recovery Mechanism is expected to be in place for approximately three years. The three-year period is needed to collect the approximately \$86.5 million incremental and extraordinary February 2021 Cold Weather Event Costs. Black Hills Energy recognizes that as customers pay the Cold Weather Gas Cost Recovery Mechanism the outstanding balance will decline. Therefore, Black Hills Energy's tariff reflects a Conversion Fee that will decline each year.

In addition, as Black Hills Energy considered the level of the Conversion Fee, it recognized that Black Hills Energy must establish a charge high enough to ensure that its largest Commercial

sales gas customers would pay their fair of the \$86.5 million if any of those customers elected to convert from sales to transportation service.

Black Hills Energy structured the Conversion Fee as a flat fee because Black Hills Energy will need to manually apply the Conversion Fee. Black Hills Energy determined that it could not adequately track the assessment of February 2021 Cold Weather Event Costs for converting customers by assessing and tracking recovery of those costs through commodity surcharge basis. Simply put the easiest way to ensure sales customers pay their fair share of the February 2021 Cold Weather Event Costs is for them to remain on sales service. If they elect to switch to transportation, then the easiest way to ensure collection of the February 2021 Cold Weather Event Costs from the converting customers is to apply the Conversion Fee proposed herein. Other possible recovery methods were contemplated and discussed. However, all others are more complicated and, in most cases, incompatible with Black Hills Energy’s billing system.

Accordingly, as shown on the proposed tariff, the Conversion Fee is established as follows:

The Sales/EO Conversion Fee is a flat one-time fee, based on the date conversion is implemented. Amounts collected will be credited to the Cold Weather Gas Cost Recovery Mechanism.

<u>Conversion Date</u>	<u>Conversion Fee</u>
July 2021 – June 2022	<b>\$13,000</b>
July 2022 – June 2023	<b>\$9,000</b>
July 2023 – June 2024	<b>\$4,300</b>

The Conversion Fee will only be charged to a Commercial or Small Volume Firm Sales customers at the time the customer voluntarily elects to convert from sales to transportation service. Thus, if a customer remains on sales service, then no Conversion Fee is assessed to the customer.

In addition, the Conversion Fee will not be assessed to Energy Option, nor High Volume transportation, customers who elect to convert from transportation service to sales service as those customers did not appear to cause the February 2021 cold weather event gas costs. However, once converted, any new or returning Commercial sales customers will be assessed the ongoing Cold Weather Gas Cost Recovery Mechanism surcharge pursuant to Black Hills Energy's Proposal as approved by the Commission.

With the addition of this Conversion Fee, Black Hills Energy does not envision many customers converting from sales to transportation service or from transportation to sales service.

**d. When will the Conversion Fee become effective?**

Black Hills Energy proposes that the Conversion Fee become effective on July 1, 2021, subject to modification, partial refund, or total refund if the Conversion Fee is assessed to a Customer and then the Commission later modifies the structure or level of the Conversion Fee. As noted above, the Conversion Fee will not be charged to customers unless they elect to convert from sales to transportation service.

**e. When will the Conversion Fee end?**

Black Hills Energy proposes to review and modify the Conversion Fee after the full recovery of the February 2021 cold weather event gas costs through the Cold Weather Gas Cost

Recovery Mechanism. In other words, Black Hills Energy believes that the Conversion Fee should be eliminated after approximately three years.

f. **How will the Conversion Fee collections be treated by Black Hills?**

Black Hills Energy proposes to contribute any amounts collected from converting sales customers under the Conversion Fee to the Gas Cost Adjustment (“GCA”) mechanism.

g. **How will Commercial customers know about the Conversion Fee?**

Beyond the tariff references, Black Hills Energy will send all Commercial and Energy Options customers notice of the new Conversion Fee. In addition, Black Hills Energy will alert all certified natural gas providers and Marketers on its system of the Conversion Fee and instruct them to inform customers that they are soliciting of the Conversion Fee. Black Hills Energy will work individually with any customers who unknowingly convert from sales service to transportation service, and then promptly elect to return to sales upon learning that the Conversion Fee would apply to that conversion. Black Hills Energy requests the Commission clarify to all CNGPs/Marketers that they must fully inform solicited sales customers of the Conversion Fee and the level of the fee before locking them up under a gas supply sales contract.

#### **IV. CONCLUSION**

Wherefore, Black Hills Energy respectfully requests that the Commission approve Black Hills Energy’s proposed Conversion Fee and revised tariffs effective July 1, 2021, subject to possible revision, upon Commission approval as explained above and set forth on the attached tariffs.



Respectfully submitted this 29th day of June 2021.

By: /s/ Douglas J. Law  
Douglas J. Law, #19436  
Associate General Counsel  
1731 Windhoek Drive  
Lincoln, NE 68512  
Tel: (402) 221-2635  
[douglas.law@blackhillscorp.com](mailto:douglas.law@blackhillscorp.com)

**Attorney for Black Hills Nebraska Gas, LLC  
d/b/a Black Hills Energy**